

Message Text

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SUBJECT: EXIMBANK GUARANTEE FOR TRUCK SALES TO G-H INDUSTRIES

REF: 75 DHAHRAN 0844, 75 DHAHRAN 0855, STATE 160452

1. OUR REFTELS DISCUSS BACKGROUND OF SAUDI PARTNER WHICH POST JUDGES AS ABLE BUSINESSMAN AND ONE HAVING FINANCIAL RESOURCES REQUIRED TO SUPPORT NEWLY-ESTABLISHED JOINT VENTURE, G-H INDUSTRIES (G-HI). LOCAL BANKING SOURCE SUPPORTS OUR JUDGEMENT.

NEW COMPANY, PST UNDERSTANDS FROM ARAMCO, HAS FIVE-YEAR CONTRACT TO PROVIDE ROAD HAULAGE SERVICE FROM VARIOUS BARGE PORTS TO ANY ONE OF NUMBER OF ARAMCO CONTRACTOR WORK SITES. G-H HAS PURCHASED TEN MERCEDES BENZ TRACTORS LOCALLY AND IS IMPORTING 130 MACK TRUCK TRACTORS (TWO OF WHICH CONFIGURED AS WRECKERS) AND SWISS-BUILT FLATBED TRAILERS ASAP WITH AIM OF STARTING OPERATIONS SEPTMEBER 1. COMPANY, UNDER TERMS OF CONTRACT, IS TO PROVIDE FULL-RAGE OF SUPPORT SERVICES -- WORKSHOP, 100-PERCENT SPARES STOCK, ROVING PATROLS, MULTI-NATIONAL FORCE OF 22 MANAGERS AND TECHNICIANS, AND OTHER SERVICES AIMED AT INSURING SOUND OPERATIONS. AMERICAN MANAGER IN COMPANY HAS WORK EXPERIENCE IN LDC COUNTRIES AND KNOWS TRUCKING BUSINESS. ARAMCO'S CONTRACT WITH G-HI IS WRITTEN TO COVER 86 TRACTOR UNITS ON 15-MONTH MINIMUM GUARANTEE (FOR 24-HOUR DAY) AND 44 UNITS ON 24-MONTH MINIMUM GUARANTEE (FOR 12-HOUR DAY).

3. FOREGOING CLEARED IN SUBSTANCE WITH EMBASSY JIDDA, AND IT

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PAGE 02 DHAHRA 00883 130456Z

PERCEIVES NO POLITICAL OR OTHER OBJECTIONS TRANSACTIONS. NEITHER

EMBASSY NOR CONGEN ABLE TO DISCERN WHAT INFORMATION BANK REQUIRES AS REQUESTED IN CONCLUDING SENTENCE OF DEPTEL. NEITHER POST HAS COPY OF CONTRACT, SIGNED JUNE 13, NO LEGAL EXPERTISE TO MAKE LEGAL JUDGEMENTS REQUESTED. CONGEN UNDERSTANDS THAT CONTRACT CONTAINS PASSAGE WHICH AFFIRMS THAT ALL APPROVALS AND LAWS APPLY WHEN CONTRACTING PARTIES CARRY OUT TERMS OF CONTRACT. QUESTION IN DEPTEL DISCUSSED INFORMALLY WITH ARUECO EXECUTIVE SUPERVISING CONTRACT AND HE REPORTS IT NORMAL LOCAL-SERVICE CONTRACT THAT ALL US-SAUDI JOINT-VENTURES (OR ANY OTHER LOCAL COMPANY) SIGN WHEN CONCLUDING BUSINESS AGREEMENT WITH OIL COMPANY. UNABLE TO REACH ARAMCO LAWYER WHO ACTUALLY DRAFTED CONTRACT AS HE AWAY FROM KINGDOM ON VACATION.

4. FOR CAGNE: ONLY CONCERN POST HAS REGARDING G-HI IS THAT COMPANY PURCHASED MACK TRACTORS PURELY ON BASIS OF DELIVERY TIME. ACCORDING TO ALQHATANI MANAGER, G-HI WILL PROBABLY SWITCH TO MERCEDES-BENZ TRUCKS WHEN IT REQUIRES REPLACEMENT UNITS AND IF CONTRACT IS ENLARGED ZTO REQUIRE G-HI TO PROVIDE GREATER HAULAGE SERVICE. CONGENOFF SPOKE TO AREA MANAGER OF US PARTNER (GEOSOURCE) IN JOINT VENTURE AND HE STATED THAT COMPANY WILL BE COMPARING PERFORMANCE OF MACK UNITS AGAINST MERCEDES-BENZ UNITS IT WILL USE IN ITS FLEET. AT MOMENT G-HI JUDGES MERCEDES-BENZ HAS EDGE ON TIRE SIZE (LARGER TIRES ON MERCEDES-BENZ UNITS MAKE FOR LONGER

TIRE WEAR IN HOT CLIMATE OF MIDDLE EAST) AND MACK HAS LANDED-PRICE ADVANTAGE OF ABOUT \$2,500 PER TRACTOR UNIT. HELPFUL IF CAGNE WOULD PASS CONTENTS OF THIS MESSAGE TO MACK TRUCK, SUGGEST THAT AGGRESSIVE SALES AND SERVICE POSTURE COULD GARNER ADDITIONAL SALES IN EASTERN PROVINCE FOR SIGNAL INDUSTRIES UNIT AND PLACE IT IN POSITION TO BETTER COMPETE AGAINST MERCEDES-BENZ WHICH CURRENTLY HAS FAR AND AWAY LARGEST SHARE OF MARKET IN EASTERN SAUDI ARABIA. AS FAR AS POST AWARE, MACK HAS, AT PRESENT, ONLY MINISCULE SHARE OF GROWTH MARKET THAT DEMANDS VARIETY OF HEAVY-DUTY VEHICLES WHICH MACK BUILT ITS REPUTATION UPON.

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